

Message Text

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73

ACTION COME-00

INFO OCT-01 EA-11 ISO-00 AGR-20 CEA-02 CIAE-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEAE-00 OMB-01

SWF-02 IO-14 DRC-01 /178 W
----- 105447

R 101040Z JUN 74

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 2749
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

LIMITED OFFICIAL USE SECTION 1 OF 2 JAKARTA 7112

E.O. 11652: N/A

TAGS: ETRD, ID

SUBJ: NON-TARIFF BARRIERS, INDONESIA

REF: A) STATE A-3164 B) JAKARTA 3408 OF 3/21/73 TOFAS

1. SUMMARY. EMBASSY INQUIRIES INDICATE THAT TRADE BARRIERS MOST OBJECTIONALBE TO IMPORTERS ARE UNOFFICIAL ONES OF CORRUPTION AND OBSTRUCTIONISM IN CUSTOMS. MOST SIGNIFICANT OFFICIAL BARRIER OF WHICH WE ARE AWARE IS PROHIBITED IMPORTS LIST. ALTHOUGH INDONESIAN EXPORTS ARE SAID TO ENCOUNTER PROBLEMS WITH U.S. FDA STANDARDS, GOI OFFICIALS DO NOT REPRESENT THEM AS TRADE BARRIERS. END SUMMARY.

2. IN INDONESIA, IMPORT BARRIERS OF AN OFFICIAL NATURE ARE ECLIPSED IN IMPORTANCE BY CORRUPT PRACTICES IN CUSTOMS AND BY HIGHLY BUREAUCRATIC AND DILATORY CUSTOMS ADMINISTRATION. OFFICIAL HURDLES LIKE, FOR LIMITED OFFICIAL USE

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EXAMPLE, THE CONSULAR INVOICE, PALE IN COMPARISON.

EMBASSY CONSULTATIONS WITH GOI OFFICIALS, BANKERS, AND TRADERS, IN FACT IDENTIFY LOW INCIDENCE OF OFFICIAL NTB'S, THESE BEING MOSTLY CONFINED TO EMBARGOES OF MERCHANDISE THAT WOULD OTHERWISE COMPETE WITH PROTECTED DOMESTIC INDUSTRIES.

3. AS A MATTER OF FACT SOME PECULIARITIES OF INDONESIAN SYSTEM CONSTITUTE OFFICIAL OR DE FACTO ENCOURAGEMENT OF IMPORTS. FOREIGN PROGRAM ASSISTANCE GENERATES CREDITS AVAILABLE TO IMPORTERS WITH INTEREST REBATE. GOI HAS SYSTEM OF IMPORT SUBSIDIES ON SELECTED ESSENTIALS, ADMINISTERED WITHOUT REFERENCE TO COUNTRY OF ORIGIN.

4. INDONESIAN OFFICIALS DID NOT RESPOND SUBSTANTIVELY TO INVITATION TO COMMENT ON U.S. TRADE BARRIERS MOST HARMFUL TO THEIR EXPORTS, CITING LACK OF FEEDBACK FROM EXPORTERS TO THE GOI. WE ARE, OF COURSE, AWARE OF EXPORTER INTEREST IN FDA REGULATIONS AFFECTING SMALL-HOLDER PRODUCE LIKE PEPPER, COFFEE, AND SPICES. BUT GOI OFFICIALS DO NOT REPRESENT THEM AS NTB'S.

5. COMMENT ON NUMBERED PARAGRAPHS IN REFERENCE FOLLOWS:

A) GOVERNMENT PARTICIPATION IN TRADE:

1) EMBASSY RESEARCH DISCLOSES NO EXPORT PROMOTION PROGRAMS THAT CAN BE CONSTRUED AS NTB'S. IN FACT, MANY PRODUCTS SUBJECT TO EXPORT TAXES.

2) GOVERNMENT PROCUREMENT DIRECTED IN LARGE PART TOWARD SOURCE FROM WHICH MOST FAVORABLE EXPORT CREDITS ARE AVAILABLE. CORRUPTION INDISPUTABLY GOVERNING FACTOR IN MANY GOVERNMENT PROCUREMENT CONTRACTS, ESPECIALLY (BUT NOT EXCLUSIVELY) THOSE IN WHICH FOREIGN ASSISTANCE PLAYS NO PART. APART FROM THIS, WE KNOW OF NO GOVERNMENT PROCUREMENT PRACTICES THAT CAN BE CALLED TRADE BARRIERS.

E) THERE ARE NINE GOVERNMENT-OWNED TRADING LIMITED OFFICIAL USE

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COMPANIES, WHICH ORIGINATED FROM SUKARNO-ERA TAKEOVERS OF FOREIGN PROPOERTY. THEY OPERATE LIKE AND COMPETE WITH PRIVATELY-OWNED COMMERCIAL HOUSES. NOT KNOWN TO EXECUTE DISCRIMINATORY POLICIES ORDAINED BY GOI.

B. CUSTOMS AND ENTRY PROCEDURES:

4) BASIS OF VALUATION FOR CUSTOMS PURPOSES IS

THE INVOICE. VALUE ON INVOICE IS, HOWEVER, SOMETIMES CHALLENGED. VALUE AND CUSTOMS CLASSIFICATION QUESTIONS ARE BELIEVED FREQUENTLY TO BE SETTLED BY BARGAINING IN WHICH EXTRA-LEGAL PAYMENTS ARE MADE.

5) IDNONESIA HAS SYSTEM OF CONSULAR INVOICES FOR SHIPMENTS FROM HONG KONG, SINGAPORE, AND (IF REQUESTED BY IMPORTER) TOKYO. ONE TRADE SOURCE REPORTS INVOICES ALSO REQUIRED FROM PENANG, BUT DEPARTMENT OF TRADE DOES NOT CONFIRM THIS. FEE SCHEDULE NOT AVAILABLE. IMPORTS FOR APPROVED INVESTMENT PURPOSES ARE FEE-EXEMPT. OFFICIAL PURPOSE CONSULAR INVOICING IS TO CERTIFY CORRECTNESS OF REPORTED VALUE OF GOODS FROM SOURCES WHERE UNDERINVOICING COMMONLY PRACTICED.

6) IMPORTERS DO NOT CONSIDER DOCUMENTARY REQUIREMENTS PER SE TO BE EXCESSIVE.

7) GOI ENGAGED IN PROGRAM TO SIMPLIFY CUSTOMS AND OTHER PROCEDURES LEADING TO CLEARANCE AND REMOVAL OF GOODS FROM PORT. AS YET IMPORTERS AND FREIGHT FORWARDERS REPORT NO PRACTICAL IMPROVEMENT IN THE SUBSTANTIAL TRADE IMPEDIMENT THAT CUSTOMS PROCEDURES REPRESENT. IMPLICATED IN THE PICTURE HAVE BEEN REQUIREMENT FOR MULTIPLE OFFICIAL SIGNATURES AND SINGLE-CHANNEL PROCEDURE WITH NO PROVISION FOR ACTION IN ABSENCE OF RESPONSIBLE OFFICIALS. THESE PROBLEMS PLUS THOSE POSED BY SHORT PORT WORKING HOURS MAY YIELD EVENTUALLY TO ONGOING REFORM EFFORT BUT PROSPECTS ARE CLOUDED BY ENTRENCHED INTERESTS THAT BENEFIT FROM EXISTING OPPORUTNITIES FOR CORRUPTION.

8) INDONESIA HAS NO ANTI-DUMPING LAW.
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9) AGATT REPORTING SEPARATELY ON CURRENT STATUS OF REGISTRATION REQUIREMENT APPLICABLE FOOD IMPORTS (REF B), ON WHICH FEE REQUIREMENT IS APPARENTLY NOT BEING ENFORCED. APART FROM THIS ONE, TRADERS UNAWARE OF BARRIERS OF THIS NATURE.

10) EMBASSY HAS OBTAINED NO REPORT OF PACKAGING OR LABELING REQUIREMENTS THAT TRADERS CONSIDER BURDENSOME.

C. SPECIFIC LIMITATIONS ON IMPORTS:

11) NO IMPORT LICENSING SYSTEM, IN COMMONLY UNDERSTOOD SENSE, IS IN EFFECT IN INDONESIA. IMPORTERS

ARE LICENSED, BUT NOT INDIVIDUAL ORDERS.

12) INDONESIA HAS NO QUOTA SYSTEM.

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ACTION COME-00

INFO OCT-01 EA-11 ISO-00 FEA-02 IO-14 AGR-20 CEA-02

CIAE-00 DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02

SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03

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FM AMEMBASSY JAKARTA
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13) THERE ARE THIRTY-ONE ITEMS ON PROHIBITED IMPORT LIST, OF WHICH SAMPLE ITEMS INCLUDE BUILT-UP SEDANS AND STATION WAGONS (DESTINATION JAVA AND MADURA), RECONDITIONED SECONDHAND GOODS, BUILT-UP MOTORCYCLES, AND UNGALVANIZED IRON SHEETS BOTH FLAT AND CORRUGATED, INCANDESCENT AND FLUORESCENT LAMPS, MATCHES, PAPER CLIPS, PASSENGER-CAR TIRES OF CERTAIN DIMENSIONS (LIST BEING POUCHED TO EB/OT/TA). WHILE IT IS IMPRACTICAL TO TRY TO ESTABLISH IMPACT OF ALL THESE HIGHLY DISPARATE EMBARGOES, A FEW ILLUSTRATIVE FIGURES RELATING TO IMPORTANT CATEGORIES CAN BE FURNISHED. CURRENT SALES OF DOMESTICALLY-PRODUCED TIRES IN THE CATEGORIES WHOSE IMPORT IS PROHIBITED AMOUNT TO ESTIMATED \$45.5 MILLION ANNUALLY, OR ABOUT 80 PER CENT OF CONSUMPTION, THE REMAINING 20 PER CENT BEING SATISFIED BY ILLEGAL IMPORTS. BUILT-UP PASSENGER

VEHICLES, EMBARGOED EFFECTIVE JANUARY 1974, ACCOUNTED FOR \$14,961,831 OF IMPORTS IN 1973. (THESE FIGURES, FROM RECORDS UNDER BTN CATEGORY 732.1, DO NOT STRICTLY LIMITED OFFICIAL USE

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CONFORM TO THE PROHIBITED CATEGORIES OF BUILT-UP SEDANS AND STATION WAGONS.) BAN MAY DISADVANTAGE U.S. EXPORTS DISPROPORTIONATELY BECAUSE OUR CKD VEHICLES ARE PRODUCED BY COSTLY METHOD OF FULL ASSEMBLY FOLLOWED BY DISASSEMBLY, WHILE JAPANESE VEHICLES PRODUCED FOR EXPORT IN CKD FORM. LEADING SUPPLIERS IN 1973 WERE JAPAN (\$4,417,000), FRG (\$3,928,000), AND AUSTRALIA (\$1,263,000); U.S. SHARE \$907,000. IN ALMOST EVERY CASE MOTIVE FOR EMBARGO IS CLEARLY TO PROTECT DOMESTIC PRODUCTION. POLITICAL REPT POLITICAL EMBARGOES ARE ON THE BOOKS AGAINST GOODS FROM ISRAEL, SOUTH AFRICA, RHODESIA. (NO FORMAL TRADE RELATIONS WITH MAINLAND CHINA EITHER, BUT IMPORTS ARE EFFECTED THROUGH HONG KONG INTERMEDIARY.)

14) FILM IMPORT QUOTA SYSTEM BECAME OFFICIAL IN 1973, WHEN QUOTA FOR FILMS FROM U.S. WAS 150 UNITS; ACTUALLY 183 FILMS OF U.S. ORIGIN WERE IMPORTED. U.S. QUOTA IS LARGEST, FOLLOWED BY HONG KONG AND EUROPE, IN THAT ORDER. U.S. QUOTA THIS YEAR REDUCED TO 130 BUT IT AGAIN LIKELY TO BE EXCEEDED IN PRACTICE. THESE REGULATIONS ESSENTIALLY TO PROTECT DOMESTIC FILM PRODUCTION. OFFICIAL CENSORSHIP SERVES ON OTHER HAND TO CONTROL UNWELCOME IDEAS INTRODUCED IN FOREIGN FILMS.

15) NOT APPLICABLE.

16) NO BILATERAL TRADE AGREEMENTS TO WHICH INDONESIA IS A PARTY KNOWN TO IMPAIR TRADE WITH THIRD COUNTRIES. TRADE MINISTRY OFFICIALS NOTE, HOWEVER, THAT PREFERENTIAL ASEAN RELATIONSHIPS ARE CONTEMPLATED, AND GOI BILATERAL TRADE AGREEMENTS WITH USSR AND AUSTRALIA SPECIFICALLY RESERVE OPTION ACCORDING ASEAN PREFERENCE.

17) NONE KNOWN.

18) NONE.

19) ALTHOUGH IT IS ESTABLISHED INDUSTRIAL LIMITED OFFICIAL USE

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POLICY TO ENCOURAGE MAXIMUM OF "LOCAL CONTENT" WE HAVE LEARNED OF NO REQUIREMENTS IN THIS SENSE THAT CLEARLY AMOUNT TO IMPORT BARRIERS. CAPITAL GOODS IMPORTS UNDER APPROVED INVESTMENT PROJECTS NORMALLY EXEMPTED FROM CUSTOMS DUTIES, BUT UNDER FINANCE MINISTRY DECREE OF 1972 IMPORT OF GOODS ALSO PRODUCED LOCALLY ARE SUBJECTED TO DUTY DESPITE GENERAL WAIVER FOR INVESTMENT PROJECTS. IN PRACTICE THIS PROVISION BROADLY INTERPRETED TO APPLY EVEN IN CASES WHERE INVESTORS CLAIM LOCAL PRODUCT NOT AVAILABLE IN SUITABLE QUANTITY OR QUALITY.

20) NO.

21) SURCHARGES AND EXEMPTIONS (NEGATIVE SURCHARGES) APPLICABLE TO VARIOUS CUSTOMS CATEGORIES ARE PUBLISHED IN INDONESIAN CUSTOMS TARIFF SCHEDULE. IN ADDITION, SALES TAX APPLICABLE TO IMPORTED GOODS IS DUE UPON DISCHARGE FROM PORT. WHILE DIRECTOR GENERAL OF TAXES HAS AUTHORITY TO WAIVE COLLECTION OF SALES TAX ON DOMESTICALLY-PRODUCED GOODS IN WHOLE OR IN PART, HE HAS NO SUCH AUTHORITY WITH RESPECT TO IMPORTS.

22) NO VARIABLE LEVY SYSTEM.
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Message Attributes

Automatic Decaptioning: X
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Draft Date: 10 JUN 1974
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